

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
CITY OF SCOTTSDALE
ECONOMIC DEVELOPMENT CONFERENCE ROOM
4021 N. 75TH STREET, SUITE 102
SCOTTSDALE, ARIZONA 85251
MAY 8, 2012
SPECIAL MEETING
APPROVED MINUTES**

PRESENT: Michael Hoffmann, Chairman
Kathleen Glenn, Vice Chairwoman
Ace Bailey, Commissioner
David Richard, Commissioner
David Scholefield, Commissioner
Mike Surguine, Commissioner

STAFF: Steve Geiogamah
Rob Millar
Lee Guillory
Dan Worth
David Smith
Paul Katsenes
Holli Shannon
Jack Shafer
Ben Moriarity

GUESTS: Rachel Sacco, SCVB

1. Call to Order/Roll Call

Noting the presence of a quorum, Chairman Hoffmann called the special meeting of the Scottsdale Tourism Development Commission to order at 8:01 a.m.

2. Approval of Minutes

- April 17, 2012 Regular Meeting

COMMISSIONER SURGUINE MOVED TO APPROVE THE MINUTES OF THE APRIL 17, 2012 REGULAR MEETING. COMMISSIONER BAILEY SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SIX (6) TO ZERO (0).

3. Bed Tax Revenue Request – Tournament Players Club Facility Upgrades

Dan Worth, Executive Director Public Works, stated that the Tournament Players Club of Scottsdale is the result of a partnership between the City of Scottsdale and the Federal Bureau of Reclamation. The Bureau makes land available to the City for the golf course through a long-term license agreement. A separate contract between the City, TPC Scottsdale, and the Professional Golf Association Tour governs the actual operation of

the course. Under the latter agreement, TPC runs the course for the City, while the PGA Tour lends its name and brings the Phoenix Waste Management Open to the course every year.

Mr. Worth said the City is looking to fund a \$4 million capital improvement to the clubhouse and an \$11 million renovation of the Stadium Course in order to keep the facility competitive and meet the needs of the PGA Tour. The golf tournament is a big part of Scottsdale tourism, and people come to visit the course all year long because of its status as a PGA venue. Therefore, it is important that the facility keep up with evolving standards. The clubhouse expansion is designed to add dining space, locker rooms, shower facilities, and a training room. The improvements to the Stadium Course include upgrading the irrigation system, rebuilding features on individual holes, and resurfacing greens. The Champions Course was renovated in 2006.

Mr. Worth said the bulk of the work is scheduled for 2013. The amended agreement says that the City will provide funding for specified major capital replacements throughout the rest of the term of the contract, and will commit to make funding available. The agreement also addresses the Basin Management Fund, which is a surcharge added to every round of golf played, which generates about \$100,000 each year for small improvements.

Mr. Worth explained that in exchange for the City's long-term and short-term investments, the TPC and the PGA agree to exercise their option to extend the current contract from 2035 to 2060. Currently, no commitment to host a PGA Tour event at TPC Scottsdale exists, and this agreement would lock the tour in for 24 years. The parties have also committed to national television coverage of the tournament, and have contracts in place with CBS and the Golf Channel to provide it.

Steve Geiogamah requested action on a recommendation to set aside bed tax money for the TPC clubhouse and Stadium Course improvements in 2012/2013. Mr. Smith reviewed that it would take two \$600,000 slices of bed tax revenue to cover the \$15 million debt service for the project, but only one slice is available now. If City Council approves the special revenue fund, there would be sufficient resources in that fund for the whole project.

Vice Chairwoman Glenn inquired whether approval of the request would dedicate the entire special capital projects funding to City-owned facilities. Lee Guillory explained that if the special revenue fund is approved, the Princess lease revenue would add two new slices of \$600,000 each, and a half slice at \$300,000. If Council agrees to base slices at a flat dollar amount instead of on a percentage basis, as revenue grows new slices would be created to commit to other future projects. One unallocated bed tax slice remains available from the current bed tax fund.

Mr. Smith noted that the TPC proposal is to fund the entire project from the special revenue fund, which would go against a previous Commission recommendation opposing the use of bed tax monies to fund any tourism-related capital project for more than 50% of the cost of the project. Mr. Geiogamah recalled that the TDC's recommendation was only for a specific project, not all capital projects. Commissioner Richard responded that the TDC's concern in making the recommendation was to prevent one or two projects from consuming all the money.

Ms. Guillory reiterated that currently, the bed tax fund has four slices for capital projects. One slice is committed to WestWorld land, one to the Tony Nelssen Center, and one is tentatively committed to the Museum. That leaves one uncommitted slice. If the Princess lease revenue is added to the special revenue fund, an additional two and a half slices would become available. If the Museum project does not move forward, that slice would also be available. Vice Chairwoman Glenn felt that the range of funded projects should extend beyond golf and horses, and that more money should be spent creating new opportunities for Scottsdale tourism. Committing more than one slice limits future options.

Commissioner Surguine said felt that the TDC's recommendation to limit funding to no more than 50% of a project was irrelevant, since City Council has the ability to decide otherwise. He expressed caution that Council could decide to divert the entire Princess lease revenue into the General Fund instead. On the other hand, if Council approves the special revenue fund and two slices are committed to the TPC, the remaining half slice would be available for another project. Mr. Smith suggested that the TDC could wait until next Tuesday to make a recommendation, since the situation regarding the Princess revenues would be clarified by then. Chairman Hoffmann said he preferred to avoid making a last-minute recommendation that would risk not being noticed by Council.

Commissioner Surguine stated that the TPC project has to be done. He inquired about the availability of other funding options to make up the difference, should only one slice be committed to it. Mr. Worth responded that besides the Princess lease revenue and the bed tax fund, the third source is revenue from the TPC lease itself, to the extent that it is uncommitted. Currently TPC lease revenue is paying for debt service on the revitalization of the Champions Course in 2006, which amounts to about \$650,000 per year. This would leave about \$250,000 for the new project.

Commissioner Richard queried whether using bed tax revenue to pay for TPC improvements would be problematic, considering that other hotel properties pay into the fund, yet only guests of the Princess enjoy preferential tee time treatment. Mr. Worth responded that other resort properties benefit whenever people come to Scottsdale to play golf.

Chairman Hoffmann asked the TDC to first vote on the number of slices they were willing to commit to golf. Commissioner Surguine expressed concern about voting for any funding unless it were tied to Princess lease revenue. Jack Shafer, City Attorney, suggested that the TDC could make a motion approving one or two slices of the bed tax, contingent upon the availability of the Princess funds.

COMMISSIONER SURGUINE MOVED TO RECOMMEND ALLOCATING TWO SLICES OF THE BED TAX TO THE TPC FACILITY UPGRADES, CONTINGENT UPON THE AVAILABILITY OF THE PRINCESS LEASE REVENUE.

The motion failed for a lack of a second.

COMMISSIONER RICHARD MOVED TO RECOMMEND ALLOCATING ONE SLICE OF THE BED TAX TO THE TPC FACILITY UPGRADES, CONTINGENT UPON THE

PRINCESS LEASE REVENUE BEING TRANSFERRED INTO THE SPECIAL REVENUE FUND. COMMISSIONER SCHOLEFIELD SECONDED.

Mr. Smith suggested that it would be clearer for posterity if the motion stated support in terms of dollar amounts.

COMMISSIONER RICHARD MOVED TO RECOMMEND ALLOCATING \$600,000 PER YEAR FOR 20 YEARS TOWARDS THE TPC FACILITY RENOVATIONS, CONTINGENT UPON THE PRINCESS LEASE REVENUE BEING DEDICATED TO THE TOURISM SPECIAL REVENUE FUND. COMMISSIONER BAILEY SECONDED. THE MOTION CARRIED BY A VOTE OF FIVE (5) TO ONE (1), WITH COMMISSIONER SURGUINE DISSENTING.

4. FY12/13 Destination Marketing Guide

COMMISSIONER BAILEY MOVED TO ENDORSE THE FY12/13 DESTINATION MARKETING GUIDE AS PRESENTED. VICE CHAIRWOMAN GLENN SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SIX (6) TO ZERO (0).

5. FY12/13 Destination Marketing SCVB Performance Measures

Mr. Geigamah stated that staff would present the proposed SCVB performance measures to City Council on June 19. Ms. Sacco said the SCVB team has analyzed the performance measures and feels they are challenging but reasonable.

Commissioner Scholefield requested that in the future, the Commission be provided with more than just the previous year's information. Ms. Sacco agreed to provide all of the SCVB's historical contract performance measures to the TDC before their next meeting.

COMMISSIONER BAILEY MOVED TO FORWARD AS SUBMITTED THE DESTINATION MARKETING SCVB PERFORMANCE MEASURES TO CITY COUNCIL FOR THEIR APPROVAL. COMMISSIONER RICHARD SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SIX (6) TO ZERO (0).

6. Tourism Development Commission Revised City Code

David Smith, City Treasurer, stated that some City Council members feel that the money collected from the Princess Resort lease payments, which has historically been used for retirement of the TPC debt, should remain dedicated to tourism initiatives now that that debt has been retired. Staff proposes to take that lease revenue stream out of the General Fund and combine it with the bed tax revenue to create a special revenue fund exclusively for tourism-related initiatives. City Council could also opt to earmark additional money for this fund, should projects generates a positive cash flow in the future.

Mr. Smith stated that currently, the TDC's charter tasks the Commission with advising City Council on how to spend bed tax money. Staff proposes broadening the ordinance

so that the Commission can advise Council on the spending of all tourism money from the special revenue fund, including the Princess lease revenue. Several paragraphs in the City Code restrict what the Commission can do. Staff proposes deleting the parameters that determine how the Commission provides advice. If City Council accepts the changes, the TDC's mandate will broaden.

COMMISSIONER SURGUINE MOVED TO RECOMMEND APPROVAL OF THE ORDINANCE CHANGES AS PROPOSED BY THE CITY TREASURER. COMMISSIONER RICHARD SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SIX (6) TO ZERO (0).

7. Identification of Future Agenda Items

Chairman Hoffmann noted that the next TDC meeting is scheduled for Tuesday, May 15 at 8:00 a.m.

8. Public Comment

There were no public comments.

13. Adjournment

The meeting adjourned at 8:56 a.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.